

New life for the social contract: Eric Heffer, page 12

THE TIMES

First Published 1785

Wednesday July 25 1977

160,064

Renewal of pact with Labour in danger from Liberal MPs

renewal of the Government's pact with the Liberals is endangered by incorporating an escape clause, allowing the party to abandon it in certain circumstances.

Attempt to draft escape clause

Michael Hasfield, Liberal MP, said ministers' confidence in the pact with the Liberals is endangered by incorporating an escape clause, allowing the party to abandon it in certain circumstances.

Mr Steel, the party leader, hopes to maintain support for the pact by incorporating an escape clause, allowing the party to abandon it in certain circumstances.

order to wrest more concessions from the Government, it is more difficult to get a renewed deal because of the failure to achieve stage three of the pay policy and the possibility of a wage explosion.

Mr Steel is hoping to persuade the opponents of the agreement to subscribe to its renewal by incorporating an escape clause that would allow the party to abandon the pact, but the form of words and what it should contain have been difficult to resolve.

What is certain is that the Liberal leader has no intention of reaching an agreement with Mr Callaghan if he does not have a united party behind him. There seems every likelihood, therefore, that there will be two meetings of the Parliamentary Liberal Party before the Prime Minister can be told that the agreement continues.

One possibility that seems to have been dropped is a month-by-month arrangement, which would allow the Liberals to pull out at any time. Mr Steel's colleagues point out that one of the reasons why the Liberals went into the deal in the first place was to maintain the stability of government, which is what the electorate want and what the party has preached. In any case, the Prime Minister would not accept such an arrangement.

The dilemma for Mr Steel, therefore, is to provide an escape clause on the Government's economy, such as the rate of inflation and unemployment, which would not be so specific that ministers would be unable to accept it.

Liberals are naturally concerned that they could be caught up in any further



Mr Maurice Jones (left), editor of the Yorkshire miners' newspaper, on his arrival at Heathrow yesterday with Mr Arthur Scargill, who had flown to East Germany to persuade him to return.

Editor is held on return from E Berlin

By Lucy Hodges

Mr Maurice Jones, the editor of the Yorkshire Miners' newspaper, who fled from Britain to East Berlin after his arrest on the Grunwick picket line, arrived at Heathrow airport yesterday and was immediately arrested.

Sadat ceasefire order after new clashes

From Our Correspondent, Cairo, July 24

President Sadat tonight ordered a ceasefire after another day of air battles with the Libyans.

New powers proposed for school governors

By Diana Geddes, Education Correspondent

Radical new powers for the governing bodies of nearly 30,000 primary and secondary schools in England and Wales, which have been extended rights for parents, all to be set out in a new Bill, are to be recommended in the report of the Taylor Committee, due to be published on September 20. It has already been submitted to Mrs Williams, Secretary of State for Education and Science.

No devolution for tax system

Our Political Reporter

The Government has been able to find a viable method of separating tax-raising powers from the great administrative duties any system would have. Its conclusions have been accepted by Liberal MPs who had entered talks with the Government to raise some of their own revenue by increased taxation on a national basis.

Mr Foot, leader of the Labour Party, will announce the end of devolution plans in a White Paper on the details will be published on the same day. It will include separate Bills for Scotland and Wales, a long-term grant system to avoid an annual bungle between the

Oncorde helps US in ing patients

Oncorde supercavitary transonic flights are essential to export from Britain to the United States of new method of treating lung cancer. The device, known as the Oncorde, is a small, portable, self-contained unit used at the John Radcliffe Medical Unit, Oxford.

Doctors at the unit have just completed the first successful treatment of a patient with the Oncorde. The device is a small, portable, self-contained unit used at the John Radcliffe Medical Unit, Oxford.

Magdalene Rivaner, premier cru, from Diss

By Robin Young, Consumer Affairs Correspondent

Air Peter Cooke, of Pulham St Mary, Magdalene, Diss, Norfolk, has won a silver cup for his wine, and he does not make it from candelions, cowslips or pansies. His is one of 115 vineyards in England that cover more than an acre, and this morning he will be presented with the Cote-Brown trophy for the best English wine in 1976.

Owen-Vance settlement plan ready before Smith election

From Patrick Brogan, Washington, July 24

The latest Anglo-American plan for a Rhodesia settlement will be announced in the middle of August, after a further meeting between Dr Owen, the Foreign Secretary, and Mr Vance, the American Secretary of State.

Dr Owen saw Mr Vance and President Carter here yesterday and had a further talk with the Secretary of State this morning. Mr Vance is setting out the Middle East on about August 1, and will return by way of London on about August 12.

By that time, it is hoped,

30 killed as Sri Lanka mobs run riot

Thirty people were killed in post-election violence in Sri Lanka. Mobs commandeered lorries and buses to go on arson and looting forays. The new government of Mr Jayewardene, which was sworn in on Saturday, had to call in the armed forces to help the police in maintaining law and order. The ban on the sale of drink was extended until today.

Wage-pause doubts

Doubts about the likelihood of maintaining the 12-month pause between pay settlements or the Chancellor's 10 per cent ceiling have been voiced by Mr James Prior, Conservative spokesman on employment. He said the White Paper on economic policy was full of loopholes.

Spanish austerity

The Spanish Government coupled stringent austerity measures with an appeal for "an important collective sacrifice." The austerity plan included a ceiling on wage increases, changes in income tax, a special tax on property and measures to reduce unemployment and curb tax evasion.

Boycott recalled

Geoffrey Boycott is back in the England team for the third Test match with Australia starting at Trent Bridge on Thursday. The Yorkshire captain will play his 64th Test after a self-imposed exile of three years from international cricket in a side also likely to include one newcomer in Somerset's 21-year-old all-rounder, Ian Botham.

Amnesty in Poland

Poland released at the weekend nine dissidents arrested two months ago. All charges against them were dropped. The amnesty affected also the last five workers serving jail terms for food price riots last year.

Drax battle by GEC

Shop stewards from GEC's power engineering plants are mounting a campaign against the Government's decision to award Drax B power station contracts to C. A. Parsons. They may urge Sir Arnold Weinstock, GEC chairman, to submit tenders for the project.

'A' levels criticism

A survey of educational performance has shown that A-level results bear little relation to university degrees. Researchers conclude that university selection should be based not only on A-levels. They also criticize inadequate university teaching.

Smooth all round

Leader page 12

Letters: On a journalists' closed shop, from Mr Simon Jenkins; union immunity under the law, from Professor David Bentley and Mr J. H. B. Gowan; choice of nuclear reactor, from Dr W. Bennett.

Leading articles: Test for Dr Owen; Polish dissidents.

Features, pages 8 and 12

Nora Belloni on the closed shop and press freedom; Lord Chalfont looks at the neutron bomb; Mario Modiano presents a profile of Mr Constantine Karamanlis.

Arts, page 9

Michael Ratcliffe reviews the first volume of E. M. Forster, by P. N. Furbank; Susan's features: Caroline Atkinson on the Proms; John Percival at the ballet; Irving Wardle at The Other Place.

Obituary, page 14

Major-General Sir B. Dawson.

Sport, pages 6-8

Rugby: Ascot report and selections; Rugby Union: Morale-boosting victory for Lions; Cricket: Sussex move nearer Player League leaders; Show jumping.

Business News, pages 10-20

Financial editor: The stock market in limbo; Not all bad news for textiles; Insurance brokers justify their premium; Business features: Caroline Atkinson argues that business profits, although improved, are still very low; Richard Comyn Carr looks at the role of Spain's principal state holding trust, INI.

Business Diary: Madrid's night wing sets up a ramorous offensive against economic reform.

Business management: Innie MacBeath on whether directors from the inside, or outside, are better.

Parade: Detail on the re-emergence of the bonus in the salesman's pay packet.

HOME NEWS

ing challenge
Committee finding
Government abandons
target of expanded
services for elderly

Reporters of the former minister of social services, Mr. Peter Shore, have found that the Government has abandoned its target of expanding services for the elderly. The target, which was set in 1974, was to provide a full range of services for the elderly by 1980. However, the Government has now decided to abandon this target, and to concentrate on providing a core of services for the elderly.

The Government's decision to abandon its target of expanding services for the elderly has been welcomed by some, but criticized by others. Some believe that the Government is being realistic, while others believe that it is abandoning its commitment to the elderly. The Government has now decided to provide a core of services for the elderly, which will include housing, health care, and social services. This core will be provided for all elderly people, regardless of their income or social status.

Revive civil defence, Nato
reserve army chiefs urge

The Government is to be urged to revive its civil defence force, Nato reserve army chiefs have said. The chiefs, who are serving in the Nato reserve army, believe that the Government should revive its civil defence force, which was disbanded in 1962. They believe that this force is needed to protect the country in the event of a nuclear attack.

A levels 'a bad test for university selection'

Francis Gibb, a leading educationist, has said that A levels are a bad test for university selection. He believes that A levels are too narrow and do not test a student's ability to think and solve problems. He believes that universities should use a wider range of tests to select students, including interviews and practical tests.

Ennals to be
challenged over
lost pay beds

Our Political Reporter has written to Mr. Ennals, the Minister of Health, to challenge him over the loss of pay beds. Mr. Ennals has said that the loss of pay beds is a necessary part of the NHS reforms. However, our reporter believes that the loss of pay beds will result in a loss of services for patients, and that Mr. Ennals should be challenged over this.

Mr. Ennals has written to Mr. Jenkins, the Minister of Social Services, to say that the loss of pay beds is a necessary part of the NHS reforms. Mr. Jenkins has said that the loss of pay beds is a necessary part of the NHS reforms, and that the Government will provide compensation for the loss of pay beds.

Inner cities
fight to
keep share
of grants

By Christopher Warman
Local Government
Correspondent

The fight among local authorities for the lion's share of the Government's rate support grant has now been joined in earnest, with the Association of Metropolitan Authorities (AMA) accusing the shire counties of misleading propaganda about their needs.

Mr. Tom Cusack, secretary of the association, which represents London and the six main conurbation areas, said that the propaganda might deflect the Government from giving inner cities the full help they required.

It was responding to the views of the Association of County Councils, which argues that vital services could be jeopardized if the Government continues to take money away from the non-metropolitan areas.

Both associations are taking up their positions before today's meeting of the joint consultative council on local government finance, at which departmental ministers meet local authority representatives under the chairmanship of Mr. Shore, Secretary of State for the Environment.

Mr. Caulcott said the shire counties were not the only ones who should get increased grants because their population had gone up. "That is nonsense. Social expenditure goes on old people, single-parent families and the like. The fact is that such social need is more often found in areas of population decline than in areas of population growth."

When people left an area, as they had been leaving the inner cities, it was the old, the sick, the lonely and the unemployed who remained. Giving an example, the AMA points out that although there are 70,000 fewer people living in Liverpool now than in 1971 the city has more old people today than it had then. There was a 10 per cent increase in the number of people over 75 in the city, while the population was falling.

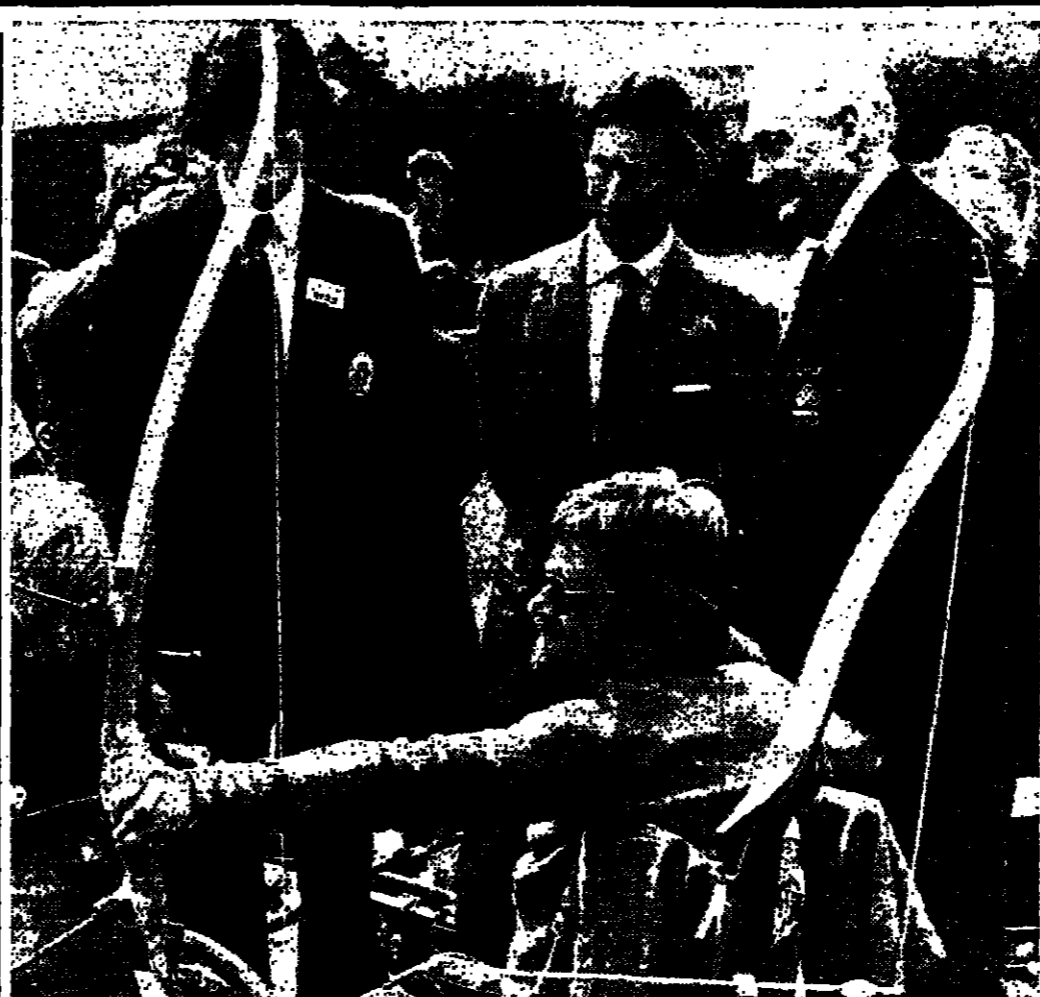
According to the AMA, in the seven years to 1973 the share of the needs grant going to the main cities, outside London fell by 7.5 per cent and Liverpool in fact lost 11.5 per cent. Since then the association concedes, there has been some redress.

Mr. Caulcott concluded: "The Government was right to put inner urban areas high on their priorities. It was right to say that the main reason of help must be by the rate support grant. It would be tragic if there was any change of policy now because of biased propaganda from the shire counties."

On school discipline the committee recommends that legislation be introduced immediately to ensure that no registered pupil is expelled from attending his or her school, except on medical grounds, by

any procedures other than those which satisfy the general requirements laid down in the report.

Those requirements are: that a parent is informed immediately there is concern about the behaviour of his child; that any suspension by a head teacher is limited to not more than three days to allow a cooling off period for both sides; that no child is suspended without provision being made for someone to look after him, so that he does not run wild on the streets, as so often happens at present; and that parents are informed straight away of any suspension.



The Prince of Wales, who opened the Silver Jubilee International Games for the Paralysed in Aylesbury yesterday, watching the archery event. Six hundred and fifty disabled athletes are at the games.

School governors' powers plan

Continued from page 1

giving parents information about their child's progress and welfare.

The report opposes the payment of attendance allowances to governors, but says that all governors should receive payment for proved loss of earnings and travelling expenses. The committee felt strongly that no individual should be put off becoming a governor because of the cost involved.

All local education authorities would be required to arrange initial, in-service training courses for governors, similar to those now given to lay representatives of head teachers, compulsory for all new governors. Existing governors would be expected to attend in-service training courses regularly.

The reconstituted governing bodies would be given new statutory powers over wide aspects of the curriculum, appointments of head teachers, finance, and for drawing up school rules and sanctions. The board's proceedings would normally be expected to be made public, and copies of the minutes sent to the local authority.

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The governing body would be empowered to extend a child's suspension for a strictly limited period to be specified by the local education authority, during which time the interested parties should be brought together to seek a solution. If no solution is found, the case should be referred to the local authority. Parents should be given the right of appeal.

On appointments, it is recommended that heads should be selected by a small committee consisting equally of members of the governing body and local authority representatives. It is also recommended that every governing body should have access to a copy of the authority's now confidential staff code on the conduct of teachers.

Again echoing recommendations in the Green Paper on self-assessment by schools, the report proposes that each governing body should produce an appraisal of the school's progress within four years of its formation, and then subsequent appraisals at regular intervals to be decided by the local authority.

An authority adviser or local schools inspector should be available for consultation to report to the governing body on the school's progress. The head teacher should also keep the governing body regularly informed on the life and activities of the school, the Taylor committee says.

MI5 official 'may have worked for the KGB'

By Peter Hennessy

Suspicion that a former senior official of MI5, the British Security Service, may have betrayed his country by working for the KGB, the Soviet secret service, was voiced in an article in *The Observer* yesterday.

The report said that the man, whose name was not given, was a former senior official of MI5, the British Security Service, who had been suspected of working for the KGB. The report said that the man had been suspected of working for the KGB for many years, and that he had been suspected of working for the KGB in the United States.

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able internal upheaval in Whitehall.

A deeper question behind such speculation is why the intelligence services of the Soviet bloc continue to expend so much effort trying to penetrate the most secret areas of British public life. It is sometimes argued that this country's economic and military decline no longer justifies such special treatment.

Britain's intelligence effort is certainly small compared with that of the United States. The combined budget of MI6 and MI5 is but £325m a year.

The numbers assigned to such work are also small. MI6 has about 700 secret servicemen at its headquarters in south London or abroad. The Government Communications Headquarters in Cheltenham has about 1,850 officials engaged in codebreaking and allied activities.

But MI6 remains the most important intelligence ally of the United States in the Western world. Under treaty arrangements that go back to the Second World War, MI6 and GCHQ intelligence is pooled with that of the Central Intelligence Agency and the National Security Agency. To avoid duplication, some areas of the world are parcelled out between the two nations, particularly where one or the other has had long geographical connections.

Britain's skill at codebreaking and the interception of messages, the most valuable aspect of intelligence work these days in terms of yield, remains highly regarded by both friendly and hostile powers. It was a type of espionage in which the United Kingdom led the world during the Second World War.

Furthermore, Britain is regarded by the United States as the most reliable of the Nato powers in terms of keeping sensitive information secure. Few defence and intelligence secrets are kept from Whitehall, therefore. For those reasons the United Kingdom is still an area of potentially rich pickings for the KGB.

Defence cutback reduces
civil servants' numbers

By a Staff Reporter

An increase of 50,000 civil servants in the past year, the 1976 almost came to a halt last year, thanks to a substantial shedding of jobs by the Ministry of Defence.

Details of the yearly movement in Civil Service numbers published today show that a net reduction of 7,000 posts in defence offset a growth of 8,000 jobs in demand-related sections of the Civil Service like social security, tax and employment. As a result the total on January 1 last stood at 746,161, an increase of 1,041.

The environment group lost 1,635 staff, mainly because of cuts in public expenditure. Central Bank of the National Savings Bank in Glasgow, the consequent reduction of staff in Harrogate and London, and the increasing use of computers

led to a saving of 1,150 posts.

The largest acquisition of civil servants was by the employment group. The document states that more work arising from increased unemployment and an expansion of vocational training, employment services and health and safety inspection led to the recruitment of 6,396 extra staff.

The Board of Inland Revenue took on 3,436 people as inflation brought more wage earners within the tax thresholds. The Department of Health and Social Security employed a further 2,933 staff.

The proportion of women in the Civil Service continues to increase. Five years ago there was a ratio of two men to every woman. The figure is now five to three.

Civil Service Statistics 1977 (Stationery Office, £2.75).

BANK
CHEQUE CARD SCHEME
and
BARCLAYCARDNew £50 guarantee limit
as from 1st August, 1977

The limit on the amount to which cheques may be issued under the protection of Cheque Cards or Barclaycards is to be increased to £50 with effect from the 1st August, 1977.

The increased limit applies only to cheques drawn, issued and tendered in settlement of transactions within Great Britain and Ireland.

Even though cards bear the amount of £30 the participating banks will honour cheques drawn in accordance with the terms and conditions of the scheme up to the new limit of £50 in respect of any one transaction. Existing arrangements for encashments under the Eurocheque Scheme remain unaltered for the time being.

The participating Banks operating the Cheque Card Scheme are:-

Allied Irish Banks
Bank of England
Bank of Ireland
Bank of Scotland
C. Hoare & Co.
Clydesdale Bank
Co-operative Bank
Courts & Co.
Isle of Man Bank
Lewins Bank

and through Barclaycard:-
Barclays Bank
Barclays Bank International

Lloyds Bank
Midland Bank
National Westminster Bank
Northern Bank
Royal Bank of Scotland
Trustee Savings Banks
Ulster Bank
Williams & Glyn's Bank
Yorkshire Bank

Yorkshire Bank

Call for change
in attitude to
mental handicap

Mind, the National Association for Mental Health, has welcomed the proposals for mentally handicapped children set out in the Government's report on child health services, *Fit for the Future*, published last December.

The report proposed that mentally handicapped children should be cared for at home and in the community rather than in hospitals. In comments released today, however, Mind says parents will not become more involved without "fundamental changes in professional attitudes".

Mind emphasizes the Court committee's acknowledgment that mentally handicapped children's needs are inadequately met and that standards of care, treatment and assessment for mentally handicapped children and their families are often low.

The Mind statement also deplores "the committee's failure to address itself to the problems of the 5,000 mentally handicapped children already living in long-stay hospitals". It concludes: "The mentally handicapped children of today will become the long-stay hospital patients of tomorrow or at best the second-class citizens expected to put up with the lowest quality of life in the community unless the Government acts now."

Sailing family saved
A family of four from Farnham Common, Buckinghamshire, were rescued yesterday when their car was grounded on the Isle of Oronsay.

Comprehensive plans for
850 schools approved

Since March 1, 1974, the Government has approved 415 proposals, which will result in the establishment of 850 comprehensive schools in England. In the same period, 14 proposals affecting 29 schools, have been rejected. Proposals affecting 65 schools are under consideration.

Education, July 13
Religious instruction: The number of colleges and polytechnic departments in England and Wales offering non-graduate religious education courses in the first two academic years and planning to offer them in later years was: 1974-75, 128; 1975-76, 127; 1976-77, 128; 1977-78, 129.

Education, July 13
Nursery schools: In 1971 and 1974, the numbers of full-time and part-time pupils attending maintained nursery schools or nursery classes in maintained primary schools in England were 501,146 and 123,591 respectively.

Education, July 13
Social Security fraud: The numbers of successful prosecutions in respect of benefit fraud were as follows: 1972, 12,025; 1973, 11,673; 1974, 13,475; 1975, 15,095; 1976, 18,711.

Social Services, 14 July
Drinking and driving: On an hour-by-hour basis, the number of drivers involved in motor accidents who had positive breath tests or failed to provide specimens in 1976 was: midnight, 1,224; 1 am, 984; 2 am, 717; 3 am, 287; 4 am, 144; 5 am, 82; 6 am, 41; 7 am, 22; 8 am, 26; 9 am, 44; 10 am, 50; 11 am, 68; midday, 96; 1 pm, 122; 2 pm, 383; 3 pm, 615; 4 pm, 515; 5 pm, 222; 6 pm, 355; 7 pm, 382; 8 pm, 472; 9 pm, 587; 10 pm, 1,406; 11 pm, 3,035. All hours, 12,160.

Transport, July 18

Gas and electricity disconnections:
Disconnections for non-payment:

1972-73 Gas 32,554 Electricity 117,269
1973-74 32,701 115,778
1974-75 34,872 120,330
1975-76 39,842 138,399

Energy, July 14
Gas and electricity prices: The price index for domestic electricity was: June 1970, 100; February 1974, 129; June 1977, 306.

The index for domestic gas was: June 1970, 100; February 1974, 120; June 1977, 206.

Treasury, July 14
Income tax: A married man with two children, aged not over 11 years, paid £333 tax in 1973-4 and £343 in 1977-8, on incomes of £2,179 and £4,139 respectively.

Treasury, July 19
Thames flood barrier: The 1976 estimated cost for £215m for the barrier plus £234m for the associated strengthening of the river walls, compared with £88m and £143m respectively in 1973.

Agriculture, July 13

WEST EUROPE

Appeal for sacrifices as Spain faces stringent austerity

From Harry Debelius
Madrid, July 24

The Government coupled the most stringent austerity plan ever devised in modern Spain with an appeal today for all Spaniards to make an "important collective sacrifice".

The "emergency economic plan", which was unveiled in Madrid early this morning after a 12-hour Cabinet meeting, is intended to restore the country's economic health within two years. It involves such measures as a ceiling on wage increases, changes in income tax and a special tax on the total assets of everyone who owns more than a relatively small amount of property.

The most immediate effect which Spaniards and foreign holidaymakers will notice, although not the most significant by any means, will be an increase in the price of petrol, which may take effect as early as tomorrow. The price of a gallon of 96 octane fuel will rise from 95 to 98 pesetas. Other grades of petrol will go up proportionately.

To compress the wage-price spiral, the emergency plan includes such steps as limiting wage increases in most cases to a maximum of 5.5 per cent in the first year. In a move intended to achieve a more equitable distribution of income, such increases must be granted in equal amounts to all employees of a firm. Increases based on percentage of salary, which result in more money for those who are paid better, will be prohibited.

"Extraordinary", and presumably temporary, measures outlined in the plan include higher luxury taxes, a new surtax (in addition to normal income tax) on incomes of more than £14,000 a year and a "patrimony tax" on all real estate and other possessions.

The latter will be scaled so as to exclude most people. For example, a couple with two dependent children will not be liable to pay this tax unless their own total assets worth more than £41,000.

Draft laws embodying the new fiscal plan will be submitted to Parliament for debate before the end of September. Other parts of the pro-

gramme, such as a proposal designed to halt land speculation, will be submitted to Parliament before the end of November.

The programme also includes such steps as raising the basic interest rate of the Bank of Spain by one point to 8 per cent, and the launching of a special bond issue of 20,000m pesetas (£136m) to help to finance the public debt.

Restrictions on other interest rates will be lifted progressively, and controls on banking operations will be eased considerably in an effort to stimulate investment.

The programme calls for a reduction in unemployment, through such measures as tax incentives for companies increasing their labour force, and the creation of jobs by increasing Government-sponsored construction of low-cost housing.

In order to make the tax reform proposals work, the programme calls for legislation which will provide severe punishment for tax offenders, streamline the Government to examine private bank accounts, eliminate dummy companies set up for tax avoidance purposes and declare a moratorium in order to give delinquent taxpayers a chance to settle their accounts without penalty provided they do so before a certain date.

The plan, which was already running into stiff resistance from some bankers and big businessmen when it was in the draft stage, is the work of an economic team headed by Professor Enrique Fuentes Quintana, the deputy Prime Minister and a non-partisan expert whom Señor Adolfo Suárez, the Prime Minister, called into the Government this month to pluck the country from the brink of economic disaster.

Madrid, July 24.—The Spanish Government agreed yesterday to apply for full membership of the European Economic Community. A Government spokesman said Señor Mariano Oja, the Foreign Minister, would fly to Brussels on Thursday to make the formal application.—AP.

End of censorship hits sale of political weeklies

Madrid, July 24.—The end of censorship has not been an unmitigated blessing for political weeklies in Spain.

Weekly magazines flourished to an extraordinary extent during General Franco's final years and during the months after his death in November, 1975. Now they are golden age, but they are losing their readers, advertising and income.

For Spaniards, it is no longer a unifying novelty to read freely expressed opinions. This month one weekly an-

nounced that it was ceasing publication and another laid off all its editorial staff.

During the last phase of the Franco dictatorship the political weeklies became for the public a sort of symbol of "resistance".

The change came after the restoration of the monarchy, and more particularly after King Juan Carlos appointed Señor Adolfo Suárez last summer to replace the neo-Francoist Prime Minister, Señor Carlos Arias Navarro.—Agence France-Presse.

Threat of third murder if man is not freed

Bonn, July 24.—A man alleged to have murdered two nurses to try to force the release of a jailed friend, said today he would kill again if his demands were not met by this evening.

The deadline passed with no indication that the jailed man, Otto Bartel, aged 37, had been freed. He was jailed for life in 1972 for killing a prison warden and has been held near Wuppertal.

Police said a man who described the murders of the two nurses telephoned a journalist in Nuremberg earlier today to make the threat.

Wuppertal police are looking for Herr Rainer Sturm, aged 26, who is alleged to have killed the nurses, aged 27 and 23, there last Tuesday. One woman was beheaded and the other stabbed and strangled.—Reuters.

Portugal's Prime Minister sums up a year in office

From Jose Scheriff
Lisbon, July 24

The Portuguese Socialist Government this weekend celebrated the first anniversary of its coming to power.

Dr Soares, the Prime Minister, said in an interview that the most concrete achievements of his Government, included the foreign loan negotiations, the re-establishment of confidence in the country and the absorption of 700,000 people displaced from Portugal's former African colonies.

The Government had done good work, though "below what it wished to achieve on many points".

He said his Government's main goals were to get the country back to work, create stable economic conditions in order to consolidate democracy and improve relations with the former colonies.

Confusion grows over choice of JET site

From Michael Hornsby
Brussels, July 24

The latest in a series of bewildering changes of tack by France has introduced a new and complicating factor in the dispute over the siting of the Joint European Torus (JET), the EEC's ambitious thermonuclear fusion project.

Foreign ministers are to make a final attempt to break the deadlock in Brussels on Tuesday.

At one time, the French were looking as hard for JET to go to Cadarache, in the Midi, as the British and the West Germans were pressing the claims of Culham, near Oxford, and Garching, near Munich, which were seen as coming to be regarded as the only two sites realistically in contention.

While still formally backing their own site, the French subsequently swung their weight behind Culham, apparently on the understanding that they would be entrusted with other nuclear research work in compensation for not getting JET.

This appeared to have given Culham a clear lead over its German rival. Last March, however, the Anglo-French deal came unstuck. Worse still, from Britain's point of view, suspicions of Anglo-French collusion, coupled with irritation at the behaviour of British ministers in other fields, caused the EEC's smaller states to come out in support of the German site.

Out of the blue came a totally new French suggestion that JET should be built at the headquarters of Cern, the European nuclear research Council, which straddles the Franco-Swiss border near Geneva. Although Cern has no experience of fusion research, it has a world reputation for building accelerators, or "atom-smashers".

Now the French have shifted ground yet again and are apparently questioning the validity of the entire scheme as presently conceived. In an approach to the Germans last week, the French are reported to have proposed bilateral co-operation on a wholly new project based on a technically more advanced version of the principles used in JET.

The French move, which has yet to be officially confirmed, cannot be dismissed simply as a political manoeuvre. The JET project is now more than 18 months behind schedule, and Herr Guido Brunner, the EEC Commissioner responsible for scientific research, has said that the design concept on which it is based could become outdated by new developments in fusion technology.

At the same time, the French have clearly been angered by the British refusal to consider a transfer of Culham and particularly by Mr. Callaghan's suggestion that Britain might decide to pursue the JET project in collaboration with non-EEC countries. This could have prompted the French overtures to the Germans.

Meanwhile, Portuguese politicians are feeling the effects of the recent land reform legislation.

After the Government's victory over the opposition in the Assembly, its land reform Bill, the Centre Democratic Party is reported to have suspended negotiations with the Socialist Government.

Moreover, the fact that the Social Democratic Party voted on the Government's side has upset the balance of opposition power. The party's leader, Dr. Francisco Sá Carneiro, did not himself vote, and this may herald developments in the split already rumoured within the Social Democrats and drew part of the party nearer to the Socialists.

A Socialist-Social Democrat communiqué published after the passage of the land reform Bill announced that the two parties would have regular meetings in the future.

Andreotti message to Washington

From Peter Nichols
Rome, July 24

Signor Andreotti leaves tomorrow on a visit to Washington as Prime Minister of a country vital to the Atlantic alliance, which from last week has Communists formally involved in government, although not part of it. He will be in America until Thursday.

A cabinet meeting, completed yesterday after more than 18 hours, was devoted largely to the preparation of a letter defining the relationship between the central Government and the regions.

This step in institutional development has resulted in a fresh outbreak of controversy within the Prime Minister's office, which from last week has Communists formally involved in government, although not part of it. He will be in America until Thursday.

The more conservative elements in the governing party are also unhappy at the readiness shown by the Christian Democratic leadership to position the local government elections in November. Post-Communists wish to help flickies with their raw file, so far largely unconvinc-

of the wisdom of so much co-operation with Christian Democracy.

The Communists and Christian Democrats are not the only parties to suffer from the strains which are undoubtedly historic. The Socialists objected to the new regional arrangements and are suspicious of the extent of agreement between the two big parties. They plan an emergency congress to discuss their own role.

The Liberals are torn between two factions because of their leadership's readiness to unwrite the governmental pact with the Communists.

Signor Andreotti can, however, reasonably claim that he has led his minority administration unscathed through a series of events which might well in the past have brought down a whole series of governments.

His skill is shown as well in his statements that the Communists still remain outside the Government as in his preoccupation to play down the importance of his achievement, in order to reduce the heart-searching by doubters within his own ranks, within the Communist Party, and among his allies.

For the first time the official Communist newspaper L'Unità will be allowed an

office in Washington. Its first correspondent there will be Signor Alberto Jacoviello, one of the party's most experienced journalists.

He points out, on the front page of L'Unità today that 30 years ago an Italian Prime Minister went to Washington and returned with his mind made up to elect the Communists to his governmental alliance. This time a Prime Minister is going as leader of a government functioning in agreement with the Communists.

The frame work of the coming talks, according to Signor Jacoviello, is clear enough. President Carter's America will want to hear about Italian prospects after the agreement with the Communists and about European prospects after the emergence of Euro-communism.

Europe is no longer "crucial territory", he says. From Lisbon to Stockholm people have understood that there can no longer be a confrontation between outside models (the United States and the Soviet Union) but that realistic solutions are needed. Without relaxation of tension and friendship in Europe there can be no relaxation and friendship in the world. This has been realized and because of it the epoch of the cold war is over.

OVERSEAS



Mr John Wrathall, President of Rhodesia, second from right, with members of the British South Africa Police after he had presented decorations for gallantry in recent military actions.

Muzorewa plan for majority rule in Rhodesia

Salisbury, July 24.—Bishop Abel Muzorewa, the black Rhodesian nationalist leader, today proposed a four-point plan for majority rule on the basis of man, one vote by next March.

He said in a statement that his United African National Council (UANC) did not want to wait for Britain to take decisive action on a settlement of the Rhodesian issue. He said the Prime Minister, to "resolve" his domestic "quarrels" in a general election on August 31.

His plan called for a constitutional committee consisting of the UANC, British and Rhodesian Government under the chairmanship of a distinguished constitutional lawyer acceptable to all parties. This committee should meet immediately and draft a constitution within three months.

The constitution should be approved by January and general elections under it should take place by March. "We of the UANC declare we are ready, here and now, to negotiate on the basis of one man, one vote," the statement said.

"Unfortunately, the legal authority in this country, the British Government, has shown itself to be completely spineless and suffering from debilitating indecision and trying to be all things to all men while pussy-footing towards a settlement."

Mr Ian Smith, whose white minority regime runs the country, is involved in a time-consuming dogfight that will not solve the central issue of transferring power from the minority to the majority," it said.

Mr Smith has called an election for a mandate to reach a settlement with black nationalists over majority rule. He is believed to be seeking an accommodation with Bishop Muzorewa and the rival nationalist, the Rev Ndabaningi Sithole, as well as the Zimbabwe United Peoples Organisation (Zupo), which is composed basically of tribal chiefs and their supporters.

An important sticking point is the nationalist demand for elections based on one man, one vote among Rhodesia's six million blacks and 270,000 whites. Mr Smith wants a qualified franchise which will retain some white influence in the new government.

Some 85,000 whites, Asians and Coloureds (mixed race) will be entitled to vote in the election on August 31. Only 8,500 blacks are enfranchised for it.

From Nicholas Fraser
New York, July 24

The Carter Administration yesterday announced an \$11.3m (about £6.6m) programme of grants and loans to help New York to recover from the looting during the blackout 11 days ago.

However, the federal Government has still not made up its mind whether the city should be declared a disaster area.

The programme, which was announced yesterday by Mr Ray Marshall, the Secretary of Labour, will provide \$5m in grants for cleaning up and demolition, and \$1m to relieve the congestion in the criminal justice system caused by the task of processing more than 3,800 charges against suspected looters. The remaining \$5m will come in the form of low interest loans for commercial redevelopment.

Mr Abraham Beame, the mayor, described the programme as an "important contribution" to the city's recovery. But Mr Herman Badillo, who is standing against Mr Beame in the autumn mayoral election, disagreed with that description.

"This is a fraudulent bill," he said. "It is a cover-up for federal inaction. They should really declare the city a disaster area."

Looters ran wild in some districts during the blackout on July 13-14 after a huge generator had failed in a thunderstorm at a time of peak demand.

Mr Abraham Beame, the mayor of New York, said 1,328 shops had sustained damage amounting in all to more than \$14m.

Johnstown, Pennsylvania, July 24.—At least 100 people are still missing after floods which hit the Johnstown area last Wednesday.

Black Muslims in Washington siege convicted

Washington, July 24.—The leader of a Black Muslim faction that seized three Washington buildings in March was found guilty yesterday of murder, kidnapping and conspiracy.

Hamas Abdul Khaalis and three of his followers were convicted on the charges while eight other members of the Hamaft sect were found guilty of conspiracy and armed kidnapping. They will be sentenced on September 6.

About 149 people were taken hostage when the sect seized the headquarters of the Jewish organization B'nai B'rith, Washington's City Hall and the Islamic Centre here. A radio reporter was killed.—Reuters.

Beigin critic recruited for mission to Washington

From Moshe Brilliant
Tel Aviv, July 24

While Mr Beigin was being universally complimented here on an unexpectedly successful mission to Washington, Mr Rabin, his predecessor, took the Prime Minister to task for not publicly challenging President Carter's stand calling for an Israeli withdrawal to the 1967 borders and for setting up a Palestinian national entity.

The new Administration has shifted from the Rabin Government's policy of seeking prior agreement on fundamental issues with Washington so that the Americans and Israelis would go to Geneva united.

Mr Beigin takes the view that this policy invited United States pressure on Israel to come around to the American position and he preferred negotiating with the Arabs in Geneva.

In a radio interview yesterday, Mr Rabin said the Prime Minister's failure to challenge the United States will cause Israel to be completely isolated borders and for setting up a Palestinian national entity.

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win for Paul

Powerful display by the Lions lifts hopes for international

Channon transfer fee of £275,000 agreed

Barras does better as a professional

[illegible]

from making investments, a policy that is causing deep concern at a time when economic growth is vital to help the country

as the problems of Cyprus and the Aegean for which the left is blaming the Ameri-

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Commercial Property

Building societies expand

Although retail sales volume has been declining for some months, more of the national multiple chains have increased their branch numbers in the past year than have reduced them—despite the fact that the total number of shops, particularly independents, is still dropping.

The point is made in a study carried out by the research department of Hillier Parker May and Rowen. On the other hand, the study shows, there has been a big reduction in the number of branches of the grocers, a reduction greater than the net increase for all other multiple shops. A few grocers and supermarkets have shed a lot of branches and a large number of other multiples have expanded their numbers more slowly, but in total the number of chains expanding outnumbered those contracting by five to one. The study defined a multiple as a shop chain with at least 30 branches spread through three or more regions. By far the greatest increase in any group was shown by building societies branches, where the top 10 societies, all with more than 70 branches, have expanded by 270, an increase of 9 per cent on the total in one year. These top 10 account for 77 per cent of all building societies branches. The total number of building society branches, both big and small, has tripled in the last 10 years, from 1,213 in 1966 to 3,776 in 1976. This, the study commented, must be the greatest expansion among any group taking prime shop property.

From the Midlands, Bright Willis, the Birmingham agent, report increased demand for industrial units on the Harrowbrook industrial estate at Hinkley, Leicestershire. The agents say that they are negotiating with eight companies for definite lettings and have received many tentative inquiries.

Interest is coming from small to medium sized engineering companies and housing and knitwear manufacturers. As a result of the response a planning application has been made for the construction of a further 10 units totalling about 75,000 sq. ft. with an option on an additional 10 giving as much space again. The estate, which is on the main Nuneaton to Leicester road, is a development by Medvale Properties, a company owned by the Royal London Mutual Insurance Society. It is aimed at companies requiring purpose-built premises ranging from 3,000 sq. ft. to 100,000 sq. ft. Rents are about £1 a sq. ft.

On the Ashville estate about six miles south of Oxford, the developers have handed over a wholesale food distributing warehouse built specifically for the requirements of R. R. Alden and Son, the catering industry supplier. The investment resulting has been sold by Ashville to the Nuffield Foundation for a price around £450,000. Leasing was introduced by Gimson Eley Green and Co. The foundation was advised by Chestertons, and Alden was introduced to Ashville by Gimson Eley.

More than 150,000 sq. ft. of factories and warehouses on the 21-acre estate have already been built and for construction of a third phase of 115,000 sq. ft. of advance units began in the spring and will be available towards the end of the year at about £1.50 a sq. ft. The remaining six acres of the site has full planning permission for a further 120,000 sq. ft. and is mainly reserved for purpose-built units.

Since they bought the Arlington Motors commercial vehicle storage site at Brimsdown, Enfield last year, Trafalgar House (Industrial) Development has finished the planned 82,000 sq. ft. of industrial and warehouse units and disposed of all but two, which total 14,500 sq. ft. Tenants include Courtaulds, GKN, British Vending Services and Tinsell Ltd, the Spanish cosmetic appliance manufacturers. Rents so far have been more than £1.35 a sq. ft. The agents are Hampton and Sons.

In Redhill, Property Holding and Investment Trust has completed at 61-63 London Road, the first stage of its large planned office development. The building, which provides about 10,000 sq. ft. on ground and three upper floors is now available as a self-contained letting unit at a rent of about £5.50 a sq. ft. Work on a second stage to provide a further 20,000 sq. ft. which will complete the frontage to London Road, is to start soon.

Ultimately the scheme, designed by T. P. Bennett and Son, will provide a new business block in Church Path, in the central area of the town. Designed by Scott, Brownrigg and Turner, the four-storey building will have 8,100 sq. ft. of space and is due for completion early next year. Letting is through Weatherall Green and Smith and the rent is expected to be in the region of £5.50 a sq. ft.

The scheme is by FPA Development.

Gerald Ely

By order of the Secretary of State for Defence

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Thomas Archer House in King Street, Covent Garden.

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Journalists must speak up before it is too late

**A Manual for Disaster Relief
Work is published by Churchill
Livingstone, £12.**

Roger Berthoud

The royal commission counsels Mr Albert Booth, Secretary of State for Employment, on the content of the press charter, required under the Trade Union and Labour Relations (Amendments) Act, 1946. If possible, the charter is to have been freely negotiated between the proprietors, editors and representatives of the NUJ and the smaller union, the Institute of Journalists. As the NUJ had no intention of curbing its demand to control access to the press, the negotiations predictably broke down. Mr Booth must therefore turn to his own clerk and draft it for approval to both Houses of Parliament.

The recommendations of the royal commission would reduce the freedom of the individual journalist. At present he or she has a line of escape from NUI authority by joining or threatening to join the IRA. The commission suggests the two organizations should merge. In the end, it will not be the royal commission, or Mr Booth, or the unionist apparatchiks but the journalists themselves who will decide whether the NUI should control who may write in British newspapers. The commission's recommendation is surely that the NUI to which most journalists have found expedient to belong is the spokesman of

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Before arriving at any kind of judgment in this matter, it is important to know how the neutron bomb, if it ever came into being, would work, and how it would be used. The first ques-

Eric Heffer

not can be answered directly and simply as follows: A neutron bomb would be a nuclear weapon kills people in a number of ways—including blast, burning and radiation. The neutron bomb would kill principally by radiation, having only a relatively small blast and heat effect. It would be used against people close to the explosion who die within hours from the means of combat governed by certain rules, including the prohibition of superfluous injury; it is not-combatant civilians—not that the design probably shows no real demands of warfare.

It seems to me that a neutron bomb is often all counts. It is true

irreversible brain damage; those further away would be spared from destruction of their blood cells. There would be, in comparison with the massive destruction at Hiroshima and Nagasaki, very little damage to buildings.

It requires only a moment's thought to lead to a clear con-

Quite clearly it has no relevance to the "strategic" balance, since if one side or the other were contemplating using nuclear missiles *first*, they would be aimed at the enemy's

weapons, and they would rely for their effect primarily on blast; while if the nuclear armoury is designed to deter the potential enemy from making such a "first strike," their deterrent effect depends precisely upon their demonstrable ability to lay waste to cities. The neutron bomb, therefore, does not exist and should be allowed to... If it is to it will not be long some passionate lunatic its use in defence of a bizarre strategic concept this brings me back to Hammarskjöld, who said: *The madman shouts market place. No-one*

is meant for use in the battlefield, where it will, in theory, wipe out thousands of enemy troops, without creating an impassable wasteland of rubble for the victorious forces to negotiate. Furthermore, as a jolly bonus, it will leave large stockpiles of undamaged military hardware.

By the time you read this I ought to be halfway across the Atlantic in the QZ2. When I was there it was the final answer to the hundreds of kind well-wishers who, during the two months since I gave up the editorship of the Daily News, asked me constantly and with growing incredulity: "And when exactly are you going to New York?" When I visited New York in May and wrote a few columns from there, many assumed that I had already gone for good. I explained quite tactlessly that this was only an advance siphoning visit. Many a pair of diplomatic eyebrows were therefore raised in puzzlement when I made my positively final appearance last weekend in the city.

match between the Foreign Office News Management Department and the Diplomatic and Commonwealth Writers. (Though I am neither a Foreign Office spokesman nor a diplomatic correspondent, I am grateful for the latter team by virtue of once having been one.)

I have written about this

By the time you read this I ought to be halfway across the Atlantic in the QZ.

There is the final answer to the hundreds of kind well-wishers who, during the two months since I gave up the editorship of the Diary, have asked me unceasingly and with growing incredulity:

When I visited New York in May and wrote a few columns about it, I was astonished that I had seen a *bone* of the city. Although I explained quite meticulously that it was only a visit, I was told that many a pair of diplomatic brows were therefore raised in puzzlement when I made my appearance last winter in the city.

match between the Foreign Office News Management Department and the Diplomatic and Commonwealth Writers. (Though I am neither a Foreign Office spokesman nor a diplomatic correspondent, I am grateful for the latter team by virtue of once having been one.)

I have written about this

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BUSINESS NEWS

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GEC stewards in challenge to Government over Drax award

Parties when a decision on Drax B is taken as soon as the current discussions on restructuring are concluded.

Mr Simpson claims that at the time this letter was written the decision to hand the Drax contract to Parsons had already been made.

He says: "My information is that the decision was taken at an emergency committee meeting chaired by the Prime Minister on Wednesday July 13."

"Mr Crier's letter was written in response to a telegram and a letter sent by my committee to Mr Callaghan and Mr Vane (the Secretary of State for Industry)."

"I cannot believe that the Department of Industry did not know what was going on."

He also scathingly referred to Mr Benn's denial on July 12 that a decision on Drax was imminent.

The GEC union representatives have argued from the outset that the new Drax B power station is unnecessary.

Instead, they would have liked to see the Government back a big new programme by the Central Electricity Generating Board to reequip existing power stations. This they claimed, would have provided work for the whole of England and the north of England and the north of Scotland.

The decision to give the contract to Parsons was, a direct capitulation by the Government to powerful political lobbies in the north of England and the north of Scotland.

The GEC shop stewards will be pressing the Government hard for some fresh undertaking that their company will get backing in the future in the fields of nuclear work, prototype development, and export guarantee support.

Letters, page 16

Report will lay blame for Crown Agents' loss

By John Brennan

Full costs of the Crown Agents' property and fringe banking losses will not be calculated until the mid-1980s. But blame will be apportioned next month with the completion of Judge Edgar Fyfe's two-year investigation into the Agents' disastrous "own account" dealings.

Mr John Cuckney, Senior Crown Agent and chairman, believes that the Fay Committee's report will be completed by the middle of August. Mr Cuckney, who was brought in to direct the reconstruction of the Agents after the scale of their financial mismanagement was revealed in 1974, will be relieved when this penultimate chapter in the "own account" saga is closed.

He feels that "so much water has passed under so many bridges since then" that whatever parts of Judge Fyfe's report are published will not affect the Agents' ongoing business—provision of buying and financial services to overseas governments and public agencies.

Publication of 1976 accounts last week showed that repeated assurances of government support have prevented overseas principals losing confidence in the Agents, despite the £12m deficit shown on their residual property and banking interests.

Deposits managed for overseas governments total a record of £870m, and £187m of new orders were placed for these principals last year.

The banking and property interests are being phased out, on government directions.

Mr Cuckney has given warning that the deficit on these interests will "progressively and inevitably increase because of the government's decision to phase out the property interests."

As originally conceived, the role of the fund would be to provide finances for buffer stocks of commodities in which international agreement had been worked out. These stocks would be commodities when the price fell below an agreed level and sell them if the price rose above a ceiling.

The aim is to provide some

Engineering employers warned to be on guard against dubious productivity agreements

By Patricia Tisdall

Warning against accepting bogus productivity schemes was issued by the Engineering Employers' Federation to members last night. In a document expressing full support for the Government's counter-inflation policy, the federation says that its success could be jeopardized by the provision allowing self-financing productivity agreements to be implemented at any time.

Members are asked in a five-point guidance note to make sure that productivity schemes achieve a reduction in costs. They are advised that increases under productivity schemes should become due only when savings in unit costs have been made and not in expectation of such savings.

The federation is concerned that productivity schemes covering sections of employees may fragment bargaining units and exacerbate problems of internal differentials.

"If productivity schemes are accepted on a pay restraint basis, it is likely to have undesirable repercussions on other member firms," it says.

"Any productivity scheme is likely to have undesirable repercussions on other member firms," it says.

"The federation asks member companies to consult their appropriate employers' association if they are considering productivity deals. Use of an independent authority may help to establish whether a scheme is genuinely self-financing, it says.

But the engineering employers say they endorse the general guidelines contained in the Government's White Paper and recommend that member companies work within them. Their support includes continued observance of the 12-month rule for wage settlements, which it asks members to observe strictly.

However the federation, like the CBI, is looking to the public sector to set an example on pay restraint.

Mr Anthony Frisdom, the federation's director-general, emphasizes that the advice has been issued against a specific background.

"We will certainly do our best to make the Government's policy work, but let there be no disguising the fact that we expect the Government not just to preach but to act. If public sector settlements are excessive then we will have no chance of holding the line."

"The dangers are immense," he declares, "for excessive wage awards will cause prices to soar, industry will become less competitive and unemployment will increase. The Government thus bears a heavy responsibility as the public sector accounts for 40 per cent of all employees."

"We wish them well but will not refrain from critically comparing all public sector settlements with the criteria of the White Paper."

US fears for Britain's 'disincentive' society

Mr Peter Jay, the new Ambassador to the United States, has just arrived on American soil. Whether he likes it or not, he will find that much of his time will have to be devoted to persuading American businessmen of the merits of investing in Britain.

The uncertainty about the future course of incomes policy in Britain will not make the new ambassador's task any easier. Indeed he may discover that one of his first and toughest problems is convincing Americans of the wisdom of Mr Healey's latest economic measures.

Britain is increasingly being viewed on this side of the Atlantic as a "disincentive society." The incentives to entrepreneurs to invest more in new plant and equipment are viewed here, rightly or wrongly, as totally inadequate because of the burdensome level of United Kingdom taxation.

Incentives to workers to work harder are seen as being continually eroded by the stifling of free collective bargaining.

Income policies, Americans argue, simply do not work. The advocates of income policies in the United States today, after experiences here with such policies earlier in this decade, are few and far between.

Short-term reductions in inflation that can be produced by means of income policies are seen as being lifted. The longer collective bargaining is constrained, the greater will be the wage demands when the unions are given a free hand.

The outlook for wages in Britain today is rather far too uncertain to lead American businessmen to make new investments in the United Kingdom now. The problem is: Even if there were another round of voluntary restraint, what would happen to incomes in the future? The rate of British inflation would still be high compared to other industrial countries?

The American approach, as exemplified by the Carter Administration, is fundamentally the same problems as exist in Britain, is radically different. Attempts are being made by the Government to persuade the labour unions to accept significant productivity clauses in new wage contracts.

The Carter Administration has turned its back on the sort of policies that the British Government is pursuing.

It believes that productivity gains are vital and that they can be secured at this time by tax cuts for both individuals and corporations. A considerable volume of such cuts will be proposed in September when the administration announces its tax reform plans.

Many American businessmen say that at times like these, when inflation and unemployment are both high, the Government should take measures to strengthen the free enterprise system. It should allow free collective bargaining in an atmosphere of optimism about real economic growth and provide incentives by means, for example, of tax cuts, that strengthen the "incentive society."

Mr Jay will have a tough time convincing Americans that the British approach is workable, let alone better.

Frank Vogl

CEGB move to save nationalization plan or power equipment

Our Energy Correspondent

Mr Glyn England, chairman of the Central Electricity Generating Board, today begins private attempts to prevent nationalization of the turbine generator business slipping into obscurity after the Government's decision to award the tax B power station contract to C. A. Parsons.

He has invited Sir Arnold Monckton, managing director of C. A. and Sir James Woodson, chairman of Reynolds Parsons, to discuss the rationalization of two companies' turbine generator businesses.

The generating board believes such rationalization is vital to the health of the industry.

Mr England does not see the need for any formal merger, but it will give the two companies the opportunity to work without the presence of government officials.

Although Parsons has won the six over Drax it is a lesser prize than the one which the National Enterprise Board had a stake in GEC held up to 49 per cent. C. A. has been opposed to a solution which involved the NEB and it may still prefer to acquire the C. A. Parsons business from Reynolds Parsons.

For Mr England it will be the first of a series of important meetings in the wake of the government decision on Drax. On Wednesday he will again meet Sir James Woodson, this time in his role as chairman of Clarke Chapman, the boiler makers, to discuss the establishment of a single boiler-making company with Mr Tom Carille, managing director of Babcock & Wilcox.

Then on Friday he will chair a special meeting of the generating board to discuss a request from Mr Wadsworth, Secretary of State for Energy, that the Drax order should be placed with C. A. Parsons.

The four full-time and four part-time members will debate the CEGB's attitude to what amounts to a government directive.

A final decision may not be taken on Friday, but the board will be having its regular monthly meeting the following Wednesday, when it should be ready to give Mr Benn an answer on the ordering question.

Unctad faces delay on commodity funding

By David Blake

Economics Correspondent

There is now a growing conviction in official international circles that a decision on a common fund to finance commodity agreements will have to wait until next spring.

Technical problems still to be solved are thought to be too great to permit a statement at the November meeting of Unctad in Geneva.

It is not that there is thought to be any question mark over the likelihood of some common fund being set up. Western and developing countries have declared their readiness to accept the principle. However, wide areas of disagreement remain on just what form such a fund should take.

As originally conceived, the role of the fund would be to provide finances for buffer stocks of commodities in which international agreement had been worked out. These stocks would be commodities when the price fell below an agreed level and sell them if the price rose above a ceiling.

The aim is to provide some

Pension funds stress big industrial role

By John Wilmore

Financial Correspondent

Funded pension schemes have an important role to play in encouraging the savings required for the productive industrial investment that will provide the basis for paying future retirement benefits, according to the National Association of Pension Funds.

In its evidence to the Wilson Committee on the functioning of financial institutions, the NAPP says that pay-as-you-go schemes should not be automatically dismissed, and points to the fact that in France and Germany they have not been incompatible with a high level of capital formation in the economy.

But the association adds that, if capital formation is to reach an acceptable level, the pay-as-you-go schemes require that the lower current cost of providing pensions should be reflected in higher gross savings by the corporate sector rather than higher consumption.

It also suggests that these schemes are more vulnerable to pressures for increased benefits in the early years of their lives

Swan Hunter wins £8m orders from Furness

By Peter Hill

Industrial Correspondent

Orders for two container ships worth £8m are to be placed by the British shipping group of Furness Withy with Swan Hunter Shipbuilders.

Delivery will be in August and December next year and will provide much needed work for Swan Hunter's Walker yard on the Tyne, which traditionally has concentrated on warship construction.

The Shipbuilding Intervention Fund, established earlier this year by the Government to provide funds to narrow the gap between United Kingdom and foreign prices, has been used.

It is understood, however, that only a relatively small amount of finance from the fund has been deployed.

When it was introduced the intervention fund involved a total £55m over the next few months it has been reduced by about £12m as a result of orders obtained for United Kingdom yards.

CEGB move to save nationalization plan or power equipment

Our Energy Correspondent

Mr Glyn England, chairman of the Central Electricity Generating Board, today begins private attempts to prevent nationalization of the turbine generator business slipping into obscurity after the Government's decision to award the tax B power station contract to C. A. Parsons.

He has invited Sir Arnold Monckton, managing director of C. A. and Sir James Woodson, chairman of Reynolds Parsons, to discuss the rationalization of two companies' turbine generator businesses.

The generating board believes such rationalization is vital to the health of the industry.

Mr England does not see the need for any formal merger, but it will give the two companies the opportunity to work without the presence of government officials.

Although Parsons has won the six over Drax it is a lesser prize than the one which the National Enterprise Board had a stake in GEC held up to 49 per cent. C. A. has been opposed to a solution which involved the NEB and it may still prefer to acquire the C. A. Parsons business from Reynolds Parsons.

For Mr England it will be the first of a series of important meetings in the wake of the government decision on Drax. On Wednesday he will again meet Sir James Woodson, this time in his role as chairman of Clarke Chapman, the boiler makers, to discuss the establishment of a single boiler-making company with Mr Tom Carille, managing director of Babcock & Wilcox.

Then on Friday he will chair a special meeting of the generating board to discuss a request from Mr Wadsworth, Secretary of State for Energy, that the Drax order should be placed with C. A. Parsons.

The four full-time and four part-time members will debate the CEGB's attitude to what amounts to a government directive.

A final decision may not be taken on Friday, but the board will be having its regular monthly meeting the following Wednesday, when it should be ready to give Mr Benn an answer on the ordering question.

National Savings total up £1,173m in first half

"National Savings showed a 'not unexpected' large increase for the four weeks ending June 25. Sir John Anstey, president and chairman, reported yesterday. The first half of the calendar year has thus seen the total amount of National Savings grow by less than £1,173m to £13,523.5m, Sir John said.

The biggest net increase—£158.5m—was in National Savings Bank investment accounts, where substantial amounts have been invested to help bring receipts to £167.5m.

National Savings Bank ordinary account figures showed a net increase of £300,000. Trustee Savings Banks, on the other hand, reported a corresponding period of 1976, with a net investment reduction of £13.7m, against £17.8m last year.

A milestone in Save-As-You-Save is that the principal outstanding for the third issue (indexed-linked) has now passed the £100m mark. Sir John noted.

Grocers offer compromise to curbs on coffee margins

Grocers are to offer the Government a compromise today on control of instant coffee profits to bring prices down.

They will reject the aim of Mr Hattersley, Secretary of State for the Colonies, to protect, to "introduce" a maximum cash margin on retail sales of instant coffee by order under section 2.

A team from the Retail Consortium led by Mr Wallace Worsingham, chairman of Fine Fare and the consortium's food policy committee, will tell Mr Hattersley's department that they would accept a maximum price for coffee.

"There would be less strict and less radical than control on cash margins which retailers have rejected since securing their abandonment under the last Conservative Government."

We utterly reject control of cash margins," Mr Richard Weir, director of the consortium, said. "But we understand that the Secretary of State is under real political pressure. Such an Order would specify

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Brickhouse Dudley 'Creditable results' Increased dividend

Michael Huxtable, Chairman, considers results for 1976-77—record turnover, virtually maintained profits and increased dividend—'creditable' in view of depressed conditions in the construction industry.

Due to the Government's moratorium on fresh public works, profits for current April-September period will not attain last year's level. But this does not necessarily mean unsatisfactory full year results. A healthier picture is now emerging and full-time working has been resumed.

| Year to 31st March | 1977 | 1976 | 1975 | 1974 |
|-------------------------------------|--------|--------|--------|-------|
| Sales | 18,128 | 16,989 | 13,010 | 8,228 |
| Profit before tax | 1,587 | 1,599 | 1,501 | 1,159 |
| Profit attributable to shareholders | 717 | 725 | 672 | 552 |
| Ordinary dividend* | 3.21p | 2.92p | 2.86p | 2.36p |
| Earnings per share | 5.04p | 5.12p | 4.48p | 4.05p |
| *gross equivalent | | | | |

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| RESULTS AT A GLANCE | | | |
|--------------------------|-------|--------|--------|
| Year ended 31st March | 1977 | 1976 | 1975 |
| Turnover | £000 | £000 | £000 |
| Profit before tax | 6,052 | 5,106 | 5,106 |
| Profit after tax | 604 | 563 | 563 |
| Earnings per share | 13.0p | 11.51p | 11.51p |
| Dividend per share (net) | 2.44p | 2.22p | 2.22p |

The last year has been one of the most difficult trading periods in recent history. Against the background of general industrial stagnation, I am happy to report an increase in profits and your Board is again recommending the maximum permissible dividend.

One welcome side-effect of the country's domestic difficulties has been the level of success achieved in the export field. As a result of concentrated efforts, the group's direct export activity more than doubled.

Control of inflation and restoration of confidence are still the main requirements to enable the country to solve its economic difficulties.

Your company has demonstrated its willingness to invest for the future and we must look forward to a period of growth in the economy to justify this confidence.

T. MARTIN, Chairman

Union motion calls on TUC to reject Bullock

Britain's third largest union, the General and Municipal Workers, is trying hard to prevent acceptance of the Bullock Report on Industrial Democracy, which advocates a policy of workers on the board.

The union, with almost one million members, is submitting a motion on the reports to this year's annual TUC conference in Blackpool.

"This Congress welcomes the analysis of the Bullock Committee report highlighting the need for industrial democracy, and reaffirms its belief in urgent legislative action in this field."

"However, we reject any policy which assumes that the only way forward is to legislate for worker representation on the policymaking boards of companies."

ICI may forfeit low gas tariff advantage

By Roger Vielvoys

Controversy over Imperial Chemical Industries low prices for fertilizers may be resolved by a compromise of an advantageous long-term contract for North Sea gas supplies that enables the chemical group to undercut its United Kingdom competitors.

ICI denied yesterday that it had been under pressure from the Government to increase its prices of around £60 to £65 a tonne, compared with the £80 a tonne charged by its competitors who do not have the benefit enjoyed by ICI of a 15-year supply contract with the British Gas Corporation at extremely low rates.

There have, however, been complaints from other companies about the lower market prices and it is known that the Government is concerned about the effect of the low ICI prices on attempts to encourage new fertilizer plant building, particularly in Scotland.

ICI has been involved in talks with British Gas over the price for the 250 million cubic ft a day that it buys under a contract signed in 1969 when the gas industry was anxious to find large industrial customers for the vast quantities of North Sea gas then becoming available.

British Gas can now sell all the gas it acquires from North Sea exploration companies and other fertilizer companies are paying 9 p a therm for these supplies. Earlier this year British Gas went to arbitration over the 2.7p a therm charged to ICI, alleging that sales at this price were causing it hardship. The arbitrator ruled against the state corporation.

It had been generally assumed in the industry that the arbitrator's decision would ensure that ICI enjoyed the benefits of the contract until it expired in 1984. ICI is now thought to be more willing to accept a price increase provided the contract can be extended beyond 1984.

ICI dominates the market for nitrogen-based fertilizer, with roughly 55 per cent.

Government concern over prices arises partly from the closure of a fertilizer plant at Rainton, Essex, by Thames Nitrogen because it could not compete with ICI. It is also worried by lack of progress on new ammonia plants at Luce, Cheshire, by Shell and Dutch State Mines and at Peterhead, Aberdeenshire, by a Scandinavian consortium led by Norsk Hydro.

Glut leads to cuts in Opec prices

By Our Energy Correspondent

Widespread price cutting of crude oil by producers in the Middle East and North Africa has developed since ministers from the 13 members of the Organization of Petroleum Exporting Countries met in Stockholm on July 12.

In the face of a glut of both crude oil and refined products, official prices of many Middle Eastern crudes are now discounted by as much as 20 cents a barrel. The Petroleum Intelligence Weekly reports. It says the price cutting is far in excess of any normal seasonal fluctuation.

Low sulphur African crudes are 15 to 45 cents a barrel below official levels, and are beginning to affect the price of North Sea oils closely linked to the African pricing structure. The vast surplus of oil will undoubtedly affect the pricing

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Lending rate 8 pc

The Bank of England's minimum lending rate remains unchanged this week. The following are the results of Friday's Treasury Bill Tender:

| Applications | £100m | £200m | £300m | £400m | £500m |
|--------------|-------|-------|-------|-------|-------|
| Received | 1,244 | 1,244 | 1,244 | 1,244 | 1,244 |
| Offered | 1,244 | 1,244 | 1,244 | 1,244 | 1,244 |
| Unsubscribed | 1,244 | 1,244 | 1,244 | 1,244 | 1,244 |

Procedures for buying property

From Mr. Richard Stoker:
Sir, May I, through your
unions, inquire if a more
satisfactory way of purchas-
ing property in the early
months of the year could
not be introduced?
On two occasions in the
month the vendor of a
property has accepted my
offer, in the space of a
few days, has accepted a second
offer; the first time without
letting me know for two
and the second time making
a fault on the part of an
agent, who had accepted
offer on behalf of the vendor
without immediately notifying

Taking into account the
and trouble spent, not to
tion the survey fees inv
and the number of offic
dealing with the same
erty, it seems to me a
unsatisfactory way—
days, when a man's word
longer enough to put
and sell property.

Surely another
should be found?

Yours faithfully,
RICHARD STOKER
14 Palmiers Court,
Palmiers Road,
London N11

**The graduate
in business**

From Mr C. J. Bacle

Sir, As a graduate in busi-
ness it was with some interest
I read the recent article
Paul Greengrass (July 18)
decided at an early age
my future career lay in
industry or commerce
accordingly, I undertook
CNAAs four-year "thin
slice" course in business

Following graduation I entered business where I met a number of graduates of our disciplines—all of whom I thought that starting from bottom was a waste of time and that a graduate should automatically be appointed to a middle management position.

This attitude is quite common amongst graduates, from comments in the media there appears to be a golden trend by business away from the capricious graduate with his high salary and

I would suggest that graduates, such as Mr Green, step out of their gilded cage and apply themselves to business with the same interest which they employed in their university life.

Yours faithfully,
C. J. HAZLE,
18 Crofton Rise,
Shadwell,
Leeds 17.
July 19, 1977



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BY THE FINANCIAL EDITOR

The stock market in limbo

market eased gently, if progressively, week—there was even the odd spot of time selling—but nobody seemed to be in a hurry to get out of the market.

The Government secured itself a summer holiday, very comfortably, and there seemed little to look forward to until the coming of the party.

In the meantime, there will be the July supply figures (in mid-August) which will look better than they might have to the extent of the impact of the BP on the Public Sector Borrowing Requirement. For the rest, markets may not move much to move anywhere in particular, unless the authorities start to show some visible signs as to how they intend to conduct monetary policy over the summer.

When it comes to the foreign exchange and the domestic money markets, authorities at least have the advantage of some fairly solid reserves on their side—a factor that has already enabled them to deter speculation against sterling.

It is impudent enough to believe that there is a substantial turn to be had out of the market. But, assuming the

downside in sterling is far less likely than the problem facing the authorities in the money market, the authorities in the money market would be twofold. The first is that the market is not a new, problem is that markets are highly sensitive to short-term movements and move far too quickly for the authorities to be able to control them.

The second is quite simply that the steep yield curve may not be able to continue to do the job of recycling money inflows and other excess liquidity.

Long-term instruments if the pressures stronger currency inflow and a sharp rise in bank lending—become too great, at then? A higher peg for sterling? Or lower short-term interest rates? Or change controls?

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is still sticking to its forecast that the five majors of the industry will achieve 30 per cent growth in 1977/78 followed by a further 30-40 per cent in 1978/79.

Textile output, which grew by 4 per cent last year, could rise by a further 6 per cent this year, partly because of reviving industrial demand (and perhaps some consumer demand later this year), but also because of modest restocking and—most important of all—surging export sales.

It is this factor that distinguishes British textile producers from their counterparts on the Continent and export performance helps to put the import alarms into perspective.

The import take-off, which turned a positive trade balance for textiles and clothing of £185m into a deficit of £153m between 1970 and 1976 has been halted and is now being reversed, thanks to sterling's deterioration and the flatness of the domestic market.

It is true, of course, that Britain has been more open to cheap imports than most other developed markets, although that is less the case than it was. But there are, in any case, some signs that British textiles are competing better on price, and, if EEC efforts to raise the levels of protectionism in the current round of Gatt Multi Fibre Arrangement talks succeed, the prospects for further improvement in the trade balance are good.

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Long-term instruments if the pressures stronger currency inflow and a sharp rise in bank lending—become too great, at then? A higher peg for sterling? Or lower short-term interest rates? Or change controls?

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Now that wage bargaining is back on the shop floor, the response of companies to their working conditions is of crucial importance.

In an unguarded moment just after the Chancellor's statement on pay policy, Lord Watkinson, president of the Confederation of British Industry, claimed that companies were now in a strong position to resist a wage push for all.

Since then more doubts have been expressed by businessmen about their ability to resist even wildly inflationary settlements.

A wages explosion would have a disastrous effect on company profitability. In the short-term it cuts straight into profit margins. In the long-term it seems that high inflation costs especially hard at companies' profits.

The reason could be that the motor of inflation has been a scramble for higher wages which were granted at the expense of profits. Accommodating monetary policy in the early 1970s translated the wage push into wage inflation.

There was also, of course, an extraordinary increase in industrial costs other than wages in 1974 and 1975, after the oil price rise, and rapid world inflation.

Another explanation of the coincidence of a speeding up in inflation and a declining share of profits in income is simply that companies are unable to pass on their costs (and therefore what wages to pay and prices to charge) in times of rapid inflation.

There is some evidence that historic cost accounting, which left companies showing huge nominal profits because of paper gains in the value of their stocks and fixed assets,

Post-tax real cost of capital and rate of return, 1960-1976.

(a) Forward-looking. The treatment of the cost of capital in the 1976/77 Budget, page 204.

(b) Provisional.

As Spain awaits further indications of the new Government's economic policy, one question of interest to many people will be the future of the INI or Instituto Nacional de Industria, the giant parastatal trust inherited from the early days of the Franco regime.

Founded in 1941 to put Spanish industry on its feet again after the ravages of the civil war and amid the shortages and supply difficulties of the Second World War, it became and remains today, one of the most potent factors in the Spanish economy.

Though it can engage in enterprise directly, it is primarily a holding company, which takes minority or majority shares in other companies—the INI group of companies proper—employed around 250,000 people, over 5

per cent of those employed in Spanish industry, and accounted for over 10 per cent of the industrial output of the country and nearly 20 per cent of its industrial exports.

Its presence was outstanding in the basic industries. They produced 46 per cent of Spain's steel, 50 per cent of its coal, 58 per cent of its aluminium, 45 per cent of its oil from refineries, 15 per cent of the electricity, 44 per cent of the ammonia and 44 per cent of the chemical pulp for paper; also 44 per cent of the passenger cars and 40 per cent of the industrial vehicles.

Other fields in which INI companies play an important or an exclusive role are the purchase and distribution of natural and bottled gas, oil prospecting at home and abroad, shipbuilding (including warships), army equipment, and civil air transport—Iberia, the national airline, is 97 per cent INI owned.

In 1975 and 1976 the INI group invested over 100,000 pesetas (£570m) a year and it is planned to maintain this rate of investment over the three years 1977 to 1979.

The INI was originally intended to operate only in those spheres of industry where the large amount of capital required or the low rate of

profit to be expected discouraged private enterprise, according to the principle known as *subsidiariedad*; but it has never felt constrained by this principle.

It was also supposed only to compete with private industry on equal terms; but it has in fact always received favoured treatment from above, and in the past, when it planned to enter a new field, private firms have found obstacles placed in their way.

There is no doubt, however, that as an instrument of national policy it has filled a gap and continues to do so. This is particularly evident today in regard to regional development. INI has recently set up, or is about to set up, separate companies for Galicia, Andalusia and Extremadura, for the sole purpose of developing these backward regions, as well as one for the Canary Islands, which are at present in economic straits.

Some of the companies started by the INI have been ill-conceived and mismanaged. It has also been accused of extravagant installations, over-staffing, and general lack of cost control. For many years it was subject only to the vague supervision of General Franco's office, the presidency of the Government, and published the

minimum of information on its finances.

In 1968 it was transferred to the Ministry of Industry under 1970 Claudio Boada, a Catalan industrialist, was appointed INI's president. Señor Boada drastically pruned the INI companies, carrying out 11 mergers, disposing of 10 companies to private interests, and liquidating six.

He also insisted on the government subsidizing loss-making companies that the INI was required to maintain in the national interest—such as the coal-mining company Huesca—on the grounds that the others should be expected to show a profit.

But Señor Boada has gone and this healthy distinction may become blurred again as the INI increasingly expands into enterprises of "social interest" and takes over, as it has been doing lately, important companies that have run into difficulties. In so far as it is not subsidised, the INI raises funds for its companies through the issue of long-term debentures. These debentures, offered at low rates of interest, are forced on the saving institutions, which are subject to state direction in the investment of 71 per cent of their funds.

The new Government's statement of its economic aims included reducing such forms of privileged finance, or present widely employed. There has also been talk of reforming the INI. But the INI is a handy instrument of government policy and a big employer. It is unlikely that its activities will be seriously curtailed at a time when unemployment and recession bring appeals for government aid and a Socialist party's strong in the new Parliament.

Richard Comyns Carr

Spain's state holding giant strides out

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Caroline Atkinson argues that business earnings although improved are still very low

How would company profits stand up to a wages explosion?



Lord Watkinson, president of the CBI: optimism clouded by businessmen's doubts.

seriously misled some management in 1974 and 1975. In 1974 the share of profits in total domestic incomes, (net of stock appreciation) dropped suddenly and sharply from over 11 per cent to less than 7 1/2 per cent.

If the inflationary boost to the value of stocks is included, however, the share of profits in total income fell by much less. From over 14 per cent in the boom year of 1973, it fell back by 1 per cent in the following year, to about the level of 1972.

As recession then combined with inflation in 1975, the squeeze on profits showed even on the share of profits. The share in income fell to 10.7 per cent including stock appreciation, and to 6.3 per cent net of stock appreciation.

A lot of attention has been paid to the declining rate of return on capital in Britain, and the effects of falling profitability on productive investment and on Britain's growth performance.

It is, however, extremely difficult to separate the cyclical squeeze on profits, as a result of the most severe postwar recession, from evidence of a secular decline.

Some recent figures show that the company sector is now losing profits. In the national accounts, however, profits have risen by over 30 per cent in the last year (net of stock appreciation), much faster than inflation over the same period.

But this revival is less than has been widely expected, and, historically, profits are still very low. A study by the Bank of England has found that the real post-tax rate of return on capital continued to fall in 1976, to less than 3 per cent.

One of the reasons is simply that the end of recession has been succeeded by sluggish

rather than rapid growth, with virtually none of the usual productivity increases in the cyclical upswing. Profits have held up surprisingly well under these circumstances but for reasons which are unlikely to continue.

These were the effective clamp on wage costs of incomes policy, coupled with a depreciation of the pound which has enabled exporters to widen their profit margins and other producers to raise their wholesale prices rather higher than was needed to pass on cost increases.

While wages have risen by about 10 per cent in the last year, and manufacturers' raw material costs by 15 per cent, wholesale output prices are up by over 20 per cent.

Many companies still feel that their position is not adequate. The logic of Lord Watkinson's statement is that this will stiffen their resolve when facing high wage claims.

The last CBI survey of liquidity showed that while the cash position of the company sector has not improved as much as had been hoped, it is nowhere near as bad as in the last three years. This coupled with the high stock building in the first quarter of 1977, means that companies are better placed to survive a strike.

Low profitability is particularly damaging as it affects companies' willingness to invest, which in turn affects the rate of growth of the economy. A secular trend of declining profitability, which has been exacerbated by a slump but was in evidence before it, has been blamed by many for Britain's poor record on both counts.

Work done in the Bank of England suggests that the real rate of return on capital has been on a declining trend for the past 12 years, and that this continued in 1976 (even though tax measures, despite the reported rise in the absolute level of profits).

It seems fairly clear that if firms are unable to earn an adequate rate of return on capital invested in the United Kingdom then, in so far as they are able, they will choose to invest elsewhere.

The Bank of England has also constructed a measure of the cost of capital, defined as the rate at which capital markets discount future earnings. As the small chart shows, the cost of capital fell broadly in line with the real rate of return during the 1960s. It has, however, since risen sharply and now stands well above the rate of profitability.

Could it be that the declining profitability in the 1960s reflected a reduced cost of investment?

Another aspect of the

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Interesting equities over the border

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ACCOUNT DAYS: Dealings Begin, Today. Dealings End, Aug 5. § Contrango Day, Aug 8. Settlement Day, Aug 16

§ Forward bargains are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)

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